

cost, he said, a custom exists under which all marine repair firms make a charge of 25 per cent. of the total bill, "exclusive of material and unforeseen circumstances." In addition to the 25 per cent. allowed for overhead and profit, the 10 per cent. allowed for the purchase of materials must be made in making the repairs. This form of excess profits, he said, has been done away with on the Pacific coast since the revelations of the Standard Oil case.

Mr. Richardson said it is clear that the conditions as described not only existed more than a year ago but that they are becoming worse every day. Inspectors who have made reports tending to show that the system was shot through with corruption have been forced out of the service, he said, and incompetent assistants have been kept.

"There was one auditor," he said, "whose only bookkeeping experience was gained when he once kept a set of books for a bartender in a New York hotel. This individual is still in the employ of the Shipping Board and is drawing a salary of \$6,000 a year."

Mr. Richardson testified that the reports of his investigations were called to the attention of members of the Shipping Board and to Edward N. Hurley, John Barton Payne and J. L. Benson, during their terms as chairmen. Some of the reports, he said, were made in person to Mr. Hurley and Admiral Benson. Many of the reports, he said, cited instances of fraud in the relations between contractors and the Shipping Board.

"Some of these cases were prosecuted," he said, "but many of them were lost because they were not brought to trial on proper charges. There are several cases pending against private contractors."

Defective Forging Camouflaged.

A foundry company in the middle West, he said, was under contract to furnish the Shipping Board with forgings. These forgings were to have been put through a test by drilling a hole one-half inch in diameter and five inches deep. When this contractor was placed on trial in Cleveland a few months ago it was revealed in the evidence that a hole two inches in circumference and six inches deep would be bored in defective forgings and in this hole would be inserted a steel plug. The plug would be treated and the test hole bored in its center with ease. The forging would be passed as good and put into a Shipping Board ship.

This firm, Mr. Richardson said, was haled into court on a charge of sabotage and the charges were dismissed. The case, he pointed out, was clearly one of fraud, and a conviction could have been obtained on that charge. Incidentally, he said, the Shipping Board is still doing business with the company which practiced this deception.

To show the danger from defective forgings Mr. Richardson said that almost every day the Shipping Board vessel loses its propeller at sea.

The witness told of another instance where a contractor had a strip of steel forging bearing the name of the Shipping Board. These would be cut out and the approval stamps would be welded to the defective forgings and put into ships. "Each of this type of forgings," he said, "is carried on because of lack of cooperation between agents in the field, the contractors and the home office of the Shipping Board."

Board Loses Track of Funds.

Mr. Richardson testified that the Shipping Board cannot tell how much of its money is in the hands of its operators. "The comptroller," he said, "has no way of knowing what money belongs to the Shipping Board, as the ship is always two or three voyages ahead of its accounts. In fact the operator knows of under the present system has no way of telling. The amount is somewhere between \$125,000,000 and \$150,000,000. This condition is due to failure to check promptly and account for vessels in the hands of operators and a lack of cooperation between the general office and the various districts from which the ships are handled."

Mr. Richardson told of a bunkering company which overcharged \$5,000 on some oil the money being split among the captain, the steward and a third person. The captain was arrested and held in \$3,000 bail. After his release he got his ship back from the Shipping Board. He sold his personal property and household furnishings, took his wife on board and sailed for Africa, where he tried to sell the ship.

The witness testified that in one instance supplies sold for Shipping Board vessels were paid for at 50 per cent. higher than the market wholesale rate. He told of one steward who bought supplies for a twelve day voyage. When the steward quit at the end of five days another steward threw the first supplies overboard and repurchased the same amount in order to get his commission.

Grape fruit knives were bought at \$1.50 each for a ship's crew, he said, a wooden lemon squeezer cost \$2, and strawberries for another crew cost sixty cents a quart. He said the berries were purchased upon the crew's threat to walk out if the berries were not obtained in two hours. All these supplies were charged to the account of the steward to make money by graft. He said, "It is no profitable," said Mr. Richardson, "that the crew members claim that they cannot get stewards, as they are all willing to get on the Shipping Board ship where the pay is the same but the gratuities are high."

Rationing Plan Is Abandoned.

Representative Henry J. Steele of Pennsylvania asked the witness if a plan of rationing had been worked out whereby an allowance could be made per rate on shipping Board ships the same as in the navy. Mr. Richardson replied that W. H. J. Reynolds worked out such a scheme in 1918, and it was put into effect until June 1, 1919, when it was abandoned.

Mr. Richardson cited the case of a man who, though he had never been on a ship, still received pay from the Shipping Board. This regularly was uncovered when it was learned that the man was working as a house detective at the St. Regis Hotel at the same time he was drawing money from the Shipping Board. His pay was stopped when the case was called to the attention of the officials.

Chairman Walsh and Representative Steele were the only members of the committee present yesterday. The other members are Representatives Patrick H. Kelly of Michigan, Lindsey H. Hadley of Washington, Israel M. Foster of Ohio and Tom Connally of Texas.

Mr. Fisher formerly was connected with the Federal Trade Commission. In his investigation for the committee he has paid especial attention to the lumber accounts of the Shipping Board. Mr. Richardson was a newspaper man for twenty years.

In the hearings which are to follow it is expected that the lengthy report submitted by the investigators will be made the subject of a careful scrutiny. Mr. Richardson declared that, although long, the report left out nothing of the specific facts which he had in his possession, and dealt only with problems which could be solved by the Shipping Board itself. He said he left untouched fourteen general allegations in connection with the board's operation. Among these he enumerated organization of the board, technical errors in the construction of its programs, German-American delinquency and diplomatic functions.

Craig Orders Halt on "Suspicious" Contracts

COMPTROLLER CRAIG wrote yesterday to heads of all departments advising them to suspend work on any contract about which there is question of collusion and to refuse to make vouchers for payments.

Supplying the Lockwood committee with further information regarding city contracts, the comptroller called attention especially to the Newton High School job. The estimated cost of that building in 1916 was \$339,137, and the price at which the contract was awarded in 1920, after bids had been rejected three times, was \$886,700. The committee will go thoroughly into this contract.

by board officials, enforcement of the new Merchant Marine act and evasions of the Selective Service act.

Taking up in detail seven general phases of the board's activities, the report charged gross waste of Government funds, improperly drawn contracts which cost the Government large sums and failure of the various divisions of the board to cooperate efficiently and the almost complete failure of some of the divisions to function at all.

Padded Payrolls and Plain Theft.

Padding of payrolls by firms repairing Shipping Board vessels, ownership by contractors of Government vessels of stock in companies furnishing supplies to those craft at prices ranging from 40 to 50 per cent. above wholesale, and the loss of millions of dollars through improperly secured loans made to contractors building Government vessels also were charged.

An allegation in the report was that many firms holding construction contracts during the war had purchased Liberty bonds and that subsequently these bonds were sold or hypothecated at a loss and the money thus realized used for "plant purposes."

Going into the matter of salvage of shipbuilding plants, uncompleted hulls and material and stores, the report alleged that it was asserted by persons in position to know that the sale of the millions of dollars worth of material owned by the Shipping Board had netted no more than 13 1/2 cents on the dollar at a time when the Shipping Board at other points was purchasing the same materials in the open market at prices in advance of the original cost of the material sold.

"However," said the report, "the question seems to be one of maladministration rather than of fundamental conditions, in so far as the limited returns from the sale of these materials is concerned."

The report said that "Gee Bros. Company" was trying to purchase under a contract all supplies and stores of the Fleet Corporation and charged that one of the officials of this company was also an advisor to the Shipping Board's cancellation and claims board.

The Shipping Board announced last night a sale of surplus material on the Pacific coast valued at about \$15,000,000 to "Bard Brothers, Inc." of New York.

The report said that the Shipping Board entered into a contract with "Gee Bros. Company" to remove hulls which were on the ways in an unfinished state at the time the contract was signed or to procure from the builders or the owners of the land upon which the hulls and ways rested a release from further liability.

"For some reason," said the report, "the United States Shipping Board saw fit to make a contract with Gee Bros. to pay him \$5.00 per hull for each hull thus handled by him. This report has been that in many cases the Shipping Board has paid an additional \$5.00 per hull to have Rogers sell the hull or give it away. In many cases the cost of the hull representing several thousand dollars, Rogers has found no difficulty in selling these hulls at a very fair price, which revenues revert to Rogers, in addition to which he collected from the Emergency Fleet Corporation \$5,000 per hull fee."

The report said the contract entered into with the American Lumber Sales Company, "should be gone into by this committee, because it presents some features that are questionable, to say the least." The report then goes on to charge that the company was, to some extent, composed of persons previously engaged with the Fleet Corporation; that it purchased materials from the corporation at a stipulated price and sold these materials "wherever it is" at an advance sometimes of more than 100 per cent. over the purchase price, and that in many cases it appeared that the company used Fleet Corporation plans and equipment "to reap enormous profits from the sale of materials which it had purchased" from the Fleet Corporation.

The contract with the Southern Scrap Material Company, which was stated, had been abandoned, also was criticized. It was charged that the contract was made by an agent of the board at New Orleans "without the knowledge of his home office," and that materials in many cases not declared surplus were sold to the company at prices far below the market quotations at the time of the sales.

The report further charged that the organization of the board's supply and sales department, particularly its personnel, was used by the company to sell materials purchased from the Shipping Board and that in many cases the personnel representatives sold these supplies for perhaps 100 to 125 per cent. net profit to the company, and that "certified checks for same were made out to order of Southern Scrap Material Company."

While many of the Government ships are making a profit, the report said, others are operating at a loss, and it was asserted that there were many who believed that a final accounting of the

operations of the ships would show "a serious loss on the gross tonnage operated."

Reviewing shipbuilding contracts and settlements, the report charged that "valuable and expensive shipbuilding plants" erected on lands owned or leased by the contractor "in several cases" were not properly safeguarded as to title.

"The result of these oversights," said the report, "was that the United States Shipping Board Emergency Fleet Corporation found itself in the position of owning a plant located on privately owned sites and faced the necessity of giving away or selling these plants for a small percentage of their original cost to the owner or lessees of the sites."

The report also charged that in some cases attorneys who represented the Fleet Corporation in drawing the contracts, later engaged with the contractors as counsel "to assist them in interpreting or in breaking or in attempting to break the contracts."

Those passages in the report which deal with laxity in expenditures of millions of dollars, and the almost insurmountable instances of gratuities to masters, chief engineers and stewards, make good reading for the committee.

It was charged that good men were heckled, insulted or even frightened off a job when they showed they were not susceptible to corruption.

"It is a comparatively easy matter," said the report, "to accidentally drop a bar or wrench into a ship's hold when a straight timekeeper or inspector is standing under."

The committee will resume its hearing this morning.

Knickerbocker Ice Company

When the quite old Countess — still a beauty, visited New York, Beauty Editors sought her secret of Eternal Youth. It was learned that Madame's maid carries to her bed every morning a piece of hygieia ice—with which she goes over "Madame's" face and throat several times. "Voilà! Madame's skin is fresh like rose with dew."

Ice is used in the best salons for the scientific care of the skin. It should be used daily at home—provided it be PURE hygieia ice. Knickerbocker ice is made from four-times filtered water and delivered in CLEAN wagons.

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DATA ON CONTRACTS ASKED FROM MAYOR

Continued from First Page.

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"This session to-morrow will be one of the most interesting so far held by the committee and especially so if the Mayor appears as a witness. If he takes the stand Mr. Hyman probably will be questioned at some length. Masses of new evidence are ready for presentation."

Undermyer Letter to Mayor.

Mr. Undermyer's letter to the Mayor is as follows:

"Nothing is further from my wish or intention or that of the committee than to do you or your administration or any other person an injustice. In view of your public statements the committee is desirous of having as extending to you the same invitation that has been uniformly offered others. It has accordingly been arranged that on Thursday at 10 o'clock you will be promptly and fully heard. Having regard to the concluding paragraph of your statement we have your office and correspondence and other data, if any, that you may have relating to or concerning communications with Messrs. Brindell, Hettrick or others and with any branch or officials of the city government bearing on the making or execution of bids or contracts for the Court House, the schools and for other public work during the past two years of your administration."

CHICAGO INDUSTRIES HEALTHY; NO WAGE CUT

Illinois Manufacturers Report Little Laying Off.

Special Despatch to THE NEW YORK HERALD.

CHICAGO, Nov. 9.—While alarming reports of factory and mill "shutdowns" and pay roll cuts in Eastern and Southern industrial centers, as well as on some railroads and in smaller industrial districts in the middle-West, have been coming to Chicago in the last week, the Chicago industrial condition is healthy, with very little laying off of employees and no wage cuts. This is the summary of reports to the headquarters of the Illinois Manufacturers' Association, and to the Chicago Association of Commerce.

"There have been persistent rumors to the effect that three or four big Chicago industrial plants, International Harvester, for example, had reduced the size of their pay rolls, and made cuts in wages from 10 to 25 per cent.," said John M. Glenn, secretary of the Illinois Manufacturers' Association. "This is wholly untrue. Wage cuts will come in Chicago among the last cities in the country, if they come at all. And I am not saying that they will come soon."

NO LOAN OF ARMY TENTS.

War Dept. Says Law Prevents Granting Los Angeles's Request.

WASHINGTON, Nov. 9.—Officials at the War Department said today that the request of the municipal authorities of Los Angeles for a loan of 5,000 army tents to relieve the housing situation in their city had not yet reached the department.

It was said, however, that the request could not be granted owing to definite provisions in the law restricting the use of army tents and barracks to military purposes, with the exception of loans of tents to veterans of the civil war.

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meeting, the witness continued, according to Hirschfield, it was the "understanding" that Brindell expected one-half of one per cent. on the total contract of \$3,250,000. His firm had not taken such a fee into consideration in bidding, the witness said, and never before had been compelled to pay labor leaders to prevent strikes.

The payment was to be in the nature of a retainer, the witness went on, and stated that in justice to Brindell it must be said the latter did prove useful in adjusting labor disputes. Corroborative testimony was said to have been given by Frederick Tensch, president of the firm, before Wood D. Loudon, deputy commissioner.

Transmitting the testimony to Mr. Undermyer, Mr. Hirschfield said he was doing so in order that the Lockwood committee could go into the case if so desired. At the same time, the commissioner made public a list of all pier contracts, amounting to about \$16,500,000, all of which are being investigated.

Undermyer Assails Hirschfield.

In return for his trouble Hirschfield received this letter from Undermyer:

"In your insatiable mania for self-advancing you continue to embarrass and obstruct the work of this committee. Your last offense is the premature publication of the details of a transaction you continue to entrust to the detriment of the inquiry. The only way you can be of service to the committee is by ceasing your mischievous interference."

If the Mayor cannot or will not stop you, other means must be found. Knowing nothing of your plans, you persist in a course proving most detrimental. I hesitate to believe you are acting from design, but prefer to take the more charitable view that the misadventures of your activities are ignorance and self-exploitation. I again ask you to stop.

Earlier in the day Mr. Undermyer had written to the Commissioner asking him to take up the committee's time by sending it "town gossip and petty junk."

Statement by La Guardia.

Commenting on the Court House inquiry, Mr. La Guardia gave out a statement at City Hall as follows:

It is very amusing to see the wild scramble to discredit me now by certain officials to get on the band wagon. The one man who can tell us just why the sudden shift was made from granite to limestone, which caused the nationwide scandal, is Mr. Craig himself. He is the committee of one for the construction of the Court House; he was the man who defended the limestone bids and fought for the acceptance of those bids by the Board of Estimate and Apportionment.

Mr. Craig alone had control and supervision of the drawing of the specifications, the change of granite to limestone, the investigation of the reliability of the bidder, and it was on the Comptroller's motion that these awards were made. Instead of now raising smoke screens, why does not Mr. Craig come forth and tell all he knows? I am sure that it would be very interesting to the Lockwood committee.

It will be remembered that when the Mayor's action to rescind these contracts was made, the Comptroller opposed the motion and would not vote for the decision. A disinterested investigation of all pending contracts is indeed wholesome. But let us not get away from the Court House deal, where we got them with the goods.

In his letter to Hettrick, Mr. Undermyer referred to THE SUN's report that Hettrick was sojourning at his country home in New Jersey, and denying he was evading the process servers of the committee. The letter continued:

I beg to remind you that your testimony is uncompleted and that you

are still under subpoena. Notwithstanding this fact and that repeated calls were made for you at the hearing and at your office, we were told that you had not recently visited your office and were unable to find any way of communicating with you.

We should be pleased, however, to take your reported statement at its face value and to have you appear and continue your testimony at the next meeting of the committee on Thursday next at 2 o'clock in the afternoon.

It is impossible for the committee to separate all the testimony relating to school contracts and supply it to the Board of Education. Mr. Undermyer told Annals & Pratt, in answer to the latter's request. All the testimony taken by the committee is available to the school officials. Mr. Undermyer added. The construction of school buildings is incidental to the larger questions being covered by the inquiry, the letter stated, and to take up every contract held by the city would take weeks.

"It is revolting to one's sense of citizenship to sit by and see the taxpayers robbed by apparently honest business men," Mr. Undermyer continued. "The committee tenders you every assistance in its power toward sifting these contracts. The schools cannot be completed in time for use this year, and I suggest that if the work on buildings under construction can be suspended for a short time without submitting the city to liability, the committee will be able to uncover sufficient of the combinations affecting the schools to justify your action. The evidence in hand is, in my judgment, already sufficient to warrant the cancellation of a number of such contracts."

CURRAN WOULD AMEND BUILDING TAX MEASURE

Bill Follows State Law to Avoid Unconstitutionality.

Henry H. Curran, President of the Borough of Manhattan, introduced in the Board of Aldermen yesterday an amendment to the proposed tax exemption ordinance recently offered by Alderman William T. Collins, Democratic floor leader, for the purpose of encouraging construction of dwellings.

President Curran's amendment, which was referred to the committee on general welfare, provided that until January 1, 1922, new buildings, planned for dwelling purposes exclusively, except hotels, shall be exempt from taxation for local purposes other than for assessments for local improvements. He declared that the purpose of the amendment was to follow the letter of the new State law and to eliminate the possibility of the proposed ordinance being invalidated on a constitutional point.

Mr. Collins opposed the amendment on the ground that the city would lose \$4,000,000 in taxes and that "the millionaires who built a mansion and the billion-dollar estates would demand exemption." The Collins ordinance, which is now in committee, provides for an investigation by the Tenant House Commissioner and approval by the Board of Estimate before exemption is granted.

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Mr. Collins opposed the amendment on the ground that the city would lose \$4,000,000 in taxes and that "the millionaires who built a mansion and the billion-dollar estates would demand exemption." The Collins ordinance, which is now in committee, provides for an investigation by the Tenant House Commissioner and approval by the Board of Estimate before exemption is granted.

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